

Fairfax County Economic Index

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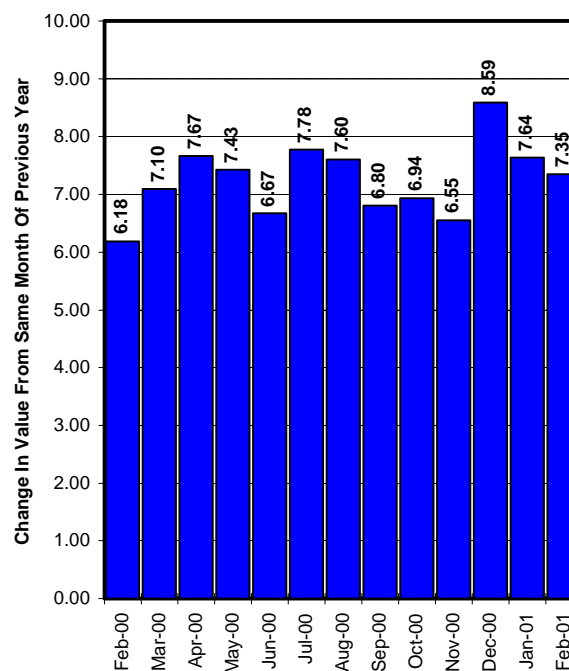
County Economy Slows In February, Indicators Pointing To Slower Future Growth

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 133.8 in February, for a decline of 1.5 percent from January. This decrease was its first monthly decline since May 2000. Over the last 12 months, the Index has increased 5.8 percent and has grown faster than its historic trend line. Even with February's decrease, the Index remains above last year's monthly over-the-year growth rate. In February, three of the Index's four components contributed to its decline.

- Transient occupancy tax collections, adjusted for inflation and seasonal variation, were down from January's unusually strong performance;
- Sales tax collections, adjusted for inflation and seasonal variation, declined sharply from solid gains in January and December; and,
- Consumer confidence continued its downward trend decreasing for a fourth time in five months; while,
- Total employment continued to grow, extending its consecutive positive month-to-month seasonally adjusted trend to 61 months dating back to January 1996.

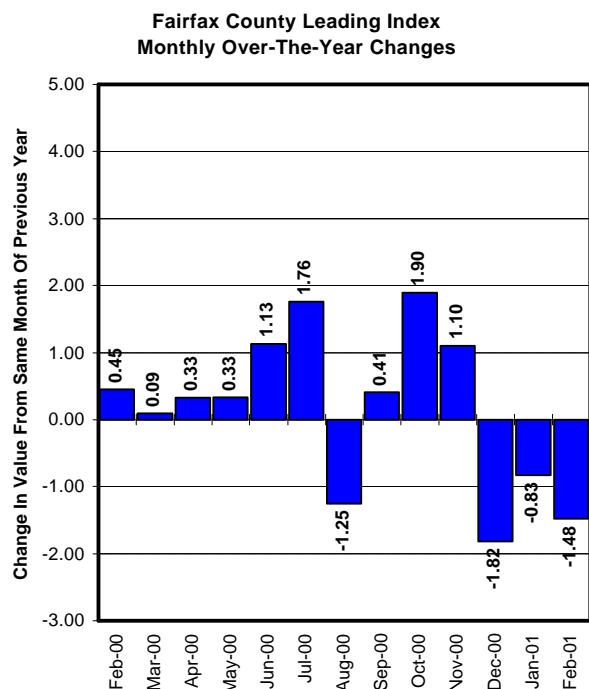
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, declined

Fairfax County Coincident Index
Monthly Over-The-Year Changes



Source: Center for Regional Analysis, George Mason University

to 105.6 in February, down 1.4 percent from January. The Leading Index has fallen below last year's same-month values for three consecutive months and is now tracking below its 12-month moving average. The Index's weak performance during the past year has brought its trend line 1.4 percent lower than it was



Source: Center for Regional Analysis, George Mason University

in February 2000. Four of the Index's five components contributed to its decline in February.

- New automobile registrations declined in February following a strong January performance;
- Initial claims for unemployment insurance increased sharply (worsened) for a second time in three months;
- Consumer expectations (consumer confidence six months hence) were down for the fifth time in six months; and,
- Residential building permits decreased following two monthly gains; while,
- The total value of residential building permits increased for the fourth time in five months.

The Fairfax County economy continues to perform well in spite of the slowing of both national and regional economies. While the strong growth trend that dates from late 1996 has continued through the first two months of this year, February's economic performance reflects growing weaknesses in both its leading and coincident components. And, with the Leading Index pointing downward after peaking in October 2000, slower future growth in the County's economy appears likely.

CURRENT CONDITIONS

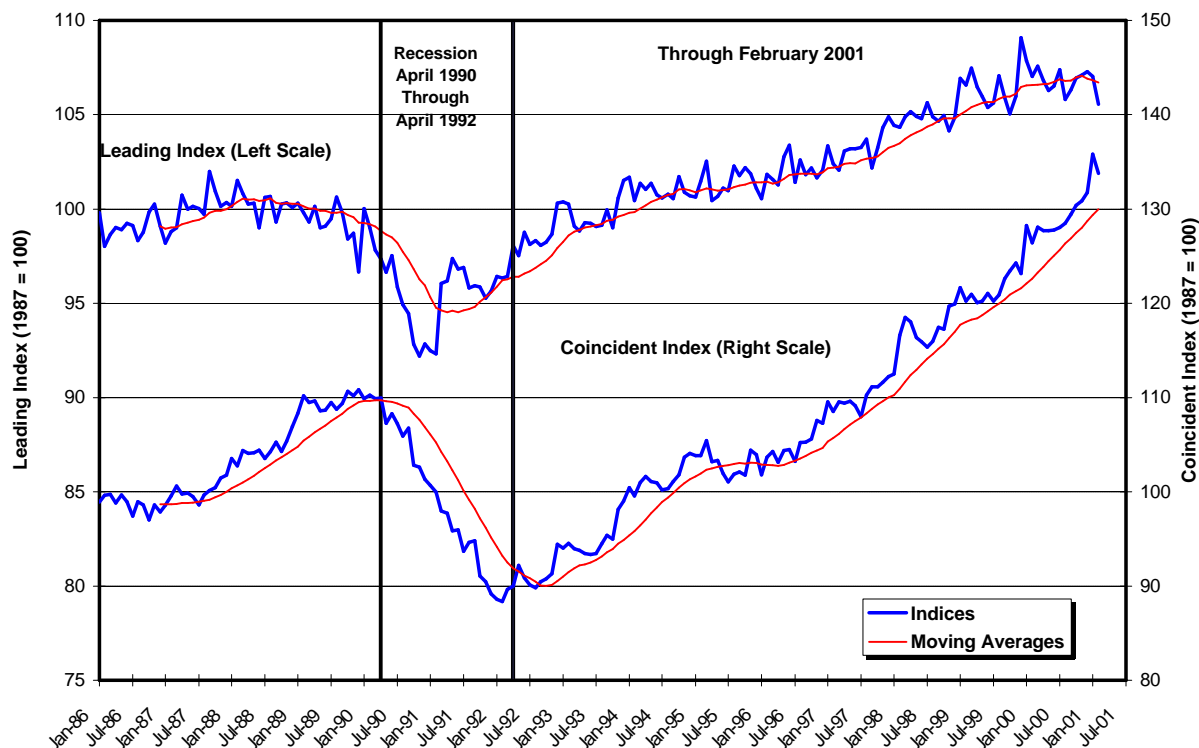
The primary measure of the County's economic strength is the jobs it has generated throughout the expansion. While Northern Virginia generated 299,700 new jobs over the past ten years, Fairfax County added 161,900 or 54 percent of Northern Virginia's total. The County's strong job growth has made it the principal source of the area's gain, accounting for 39 percent of all new jobs regionwide. This pattern has continued into 2001 with the County's economy still generating record levels of new jobs. Monthly over-the-year job growth in February totaled 38,499, a gain of 7.4 percent from February 2000.

This continuing job growth has helped to absorb the growing numbers of laid-off workers resulting from the shake-out in the technology industry that has impacted the County's tech sector. While these layoffs have received substantial media attention, they have not yet resulted in any noticeable softening of the County's labor market. In fact, the opposite has occurred with February's unemployment rate dropping below 1.0 percent on a seasonally adjusted basis, down from 1.4 percent a year ago.

One measure of the recent layoffs is the sharp percentage increase in initial claims for unemployment insurance. Claims were up a seasonally adjusted 21.8 percent from January and are 22.6 percent higher than last February. However, this sharp increase reflects only an increase of 145 claimants. This small numerical increase should be easily absorbed by the large number of new jobs still being generated each month.

Slowing consumer spending remains a threat to the economy's vitality. With consumer confidence slipping to near-recession levels, retail spending has also fallen below same-month levels in 2000. This slowdown in retail spending has also been experienced regionally and nationally and appears to be driven less by real economic conditions and by concerns about the economy's future performance. Consumer confidence in March rebounded slightly to levels close to those in December 2000. Still, with the volatility of the financial markets and reports of continuing weakness at the national level, consumer spending is likely to lag until fall. By that time, the impacts of the Federal Reserve Board's four interest rate reductions since January and congressional action on tax reduction will

Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

have created a more favorable climate to support increased consumer spending.

NEAR-TERM OUTLOOK

Fairfax County's Leading Index has been trending down for much of the last 12 months and now stands 1.4 percent below its February 2000 level. This pattern parallels the Washington region and the national economies. The National Leading Index has been down ten times in 11 months and the Washington Leading Index has been down for four months in a row. Clearly, the leading elements of the economy have slowed and are providing an unambiguous signal of further slowing in their respective economies.

The near-term impact of growth-dampening forces on the Fairfax County economy will be different than on the nation and region. While nationally, unemployment has increased and job growth has all but stopped, the Washington area economy has not experienced the same slowdown. For both Fairfax County and the Washington area, job growth continues

to absorb laid-off workers and the labor market has not softened.

This job and related income growth should support stronger consumer spending than is occurring. Because consumer confidence has been undermined by national economic news and does not reflect the strength of the local economy, the decline in local consumer spending has run counter to the County's much more favorable economic conditions. Until consumers become more confident in the economy, the economy can not reaccelerate. The longer this takes, the greater the likelihood that job growth could be affected and reinforce consumer pessimism. The next three months will be critical to achieving a turn around in consumer confidence without which the economic slowdown will deepen and extend beyond year's end.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Feb-01 Prelim.	Jan-01 Final	Feb-00 Final	Jan-01 to Feb-01	Feb-00 to Feb-01
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	133.78	135.85	126.43	-1.52	5.81
Leading Index (1987 = 100)	105.55	107.03	107.03	-1.38	-1.38
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	561,759	559,607	523,260	0.38	7.36
<i>Total Covered Employment (Unadjusted)</i>	<i>554,344</i>	<i>552,293</i>	<i>516,353</i>	<i>0.37</i>	<i>7.36</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	447	470	405	-4.85	10.47
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>608</i>	<i>649</i>	<i>526</i>	<i>-6.37</i>	<i>15.67</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,354	9,343	7,766	-21.28	-5.30
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>9,529</i>	<i>10,006</i>	<i>10,140</i>	<i>-4.77</i>	<i>-6.03</i>
South Atlantic Consumer Confidence	170	175	185	-2.74	-7.64
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	6,810	7,552	7,077	-9.82	-3.77
<i>Automobile Registrations (Unadjusted)</i>	<i>5,464</i>	<i>6,351</i>	<i>5,678</i>	<i>-13.97</i>	<i>-3.77</i>
Initial Unemployment Claims (Seasonally Adjusted)	785	646	640	21.65	22.62
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>851</i>	<i>910</i>	<i>694</i>	<i>-6.48</i>	<i>22.62</i>
South Atlantic Consumer Expectations	79.6	94.0	119.6	-15.32	-33.44
Residential Building Permits (Number of Units, Seasonally Adjusted)	730	844	578	-13.49	26.36
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>628</i>	<i>621</i>	<i>497</i>	<i>1.13</i>	<i>26.36</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	40,110	39,078	43,645	2.64	-8.10
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>50,156</i>	<i>42,836</i>	<i>52,125</i>	<i>17.09</i>	<i>-3.78</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	583,194	569,335	553,161	2.43	5.43
<i>Total Labor Force (Unadjusted)</i>	<i>576,272</i>	<i>565,771</i>	<i>546,595</i>	<i>1.86</i>	<i>5.43</i>
Unemployment Rate (Percent, Seasonally Adjusted)	0.96	1.17	1.40	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>0.99</i>	<i>0.97</i>	<i>1.43</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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